

1. Consider the table below containing data for two hypothetical nations, Alpha and Beta, for the years 1999 and 2019.

	1999		2019	
Country	Average labor productivity	Output per person	Average labor productivity	Output per person
Alpha	\$42,770	\$14,114	\$39,773	\$20,661
Beta	\$27,975	\$13,428	\$44,765	\$21,935

a. Which of the following statements are true for nations Alpha and Beta:

multiple choice 1

- a. Living standards increased in both nations.
- b. Living standards increased in Beta but not in Alpha.
- c. Labor productivity increased in both nations.
- d. Labor productivity decreased in both nations.

b. Is it possible for average living standards to rise during a period in which average labor productivity is falling?

- a. Yes, if the output per person is falling less than labor productivity.
- b. No, because average living standards only increase because of increased labor productivity.
- c. Yes, if the nation experiences increased employment relative to population.
- d. No, because average living standards are measured as output per worker.

2.

Problem 03-01

Over the next 50 years the Japanese population is expected to decline, while the fraction of the population that is retired is expected to increase sharply.

What are the implications of these population changes for total output and average living standards in Japan, assuming that average labor productivity continues to grow?

multiple choice 1

- a. Increased productivity may keep total output from diminishing due to fewer workers, but only an increase in total output can guarantee an improvement in average living standards.
- b. A smaller fraction of the population working will always lead to a reduction in output, which means diminishing average living standards.
- c. Average living standards will fall if the reduction in output due to fewer active workers exceeds the increase in production due to higher productivity.
- d. Increased productivity may keep total output from diminishing due to fewer workers, which might lead to an improvement in average living standards.

What are the implications of these population changes for total output and average living standards in Japan, assuming that average labor productivity stagnates?

multiple choice 2

- a. A smaller fraction of the population working will always lead to a reduction in output, which means diminishing average living standards.
- b. Fewer workers and constant labor productivity must diminish total output, but average living standards could still increase or stay constant if there is a smaller population sharing that output.
- c. Average living standards will fall since there is a reduction in output due to fewer workers and a smaller population is not compensated by an increase in production from higher productivity.
- d. Fewer workers and constant labor productivity must diminish total output, which must reduce average living standards.

3.

The table below shows data on U.S. exports and imports of goods and services for five years. For each of these years, indicate whether the United States was running a trade surplus or deficit, and dollar amount of the surplus or deficit, and calculate the ratio as a percent of the surplus or deficit to U.S. exports.

Instructions: In the event of a deficit, do NOT include a negative sign (–) for either the dollar amount or the ratio (...% of exports). Enter your responses rounded to one decimal place.

Year	U.S. Exports (billions of dollars)	U.S. Imports (billions of dollars)	Surplus or deficit	Amount of surplus/deficit (billions of dollars)	Surplus/ deficit as a percent of exports
1985	382.8	558.4	(Click to select) Deficit Neither Surplus	\$	%
1995	911.5	1,012.5	(Click to select) Surplus Deficit Neither	\$	%
2005	1,308.9	2,030.1	(Click to select) Deficit Neither Surplus	\$	%
2015	2,264.9	2,789.0	(Click to select) Neither Deficit Surplus	\$	%
2017	2,343.9	2,914.8	(Click to select) Surplus Deficit Neither	\$	%
2018	2,539.4	3,119.3	(Click to select) Neither Deficit Surplus	\$	%
2019	2,528.3	3,105.1	(Click to select)	\$	%

			Neither Deficit Surplus		
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4.

Problem 03-03 (algo)

The table below shows historical data on U.S. exports and imports of goods and services for five years. For each of these years, indicate whether the United States was running a trade surplus or deficit, and dollar amount of the surplus or deficit, and calculate the ratio as a percent of the surplus or deficit to U.S. exports.

Instructions: In the event of a deficit, do NOT include a negative sign (-) for either the dollar amount or the ratio (...% of exports). Enter your responses rounded to one decimal place.

Year	U.S. Exports (billions of dollars)	U.S. Imports (billions of dollars)	Surplus or deficit	Amount of surplus/deficit (billions of dollars)	Surplus/ deficit as a percent of exports
1	687.6	720.4	(Click to select) Surplus Neither Deficit	\$	%
2	785.3	771.0	(Click to select) Neither Deficit Surplus	\$	%
3	759.4	837.6	(Click to select) Deficit Neither	\$	%

			Surplus		
4	826.5	937.5	(Click to select) Surplus Deficit Neither	\$	%
5	911.5	1012.5	(Click to select) Surplus Deficit Neither	\$	%

5.

Problem 03-04

For each of the following statements, indicate whether they are positive, normative or both.

a. If the Federal Reserve raises interest rates, demand for housing is likely to fall.

multiple choice 1

- a. Both a normative and a positive statement
- b. Neither a normative nor a positive statement
- c. Positive statement
- d. Normative statement

b. The Federal Reserve should raise interest rates to keep inflation at an acceptably low level.

multiple choice 2

- a. Both a normative and a positive statement
- b. Positive statement
- c. Normative statement
- d. Neither a normative nor a positive statement

c. Stock prices are likely to fall over the next year as the economy slows.

multiple choice 3

- a. Neither a normative nor a positive statement

- b. Positive statement
- c. Both a normative and a positive statement
- d. Normative statement

d. A reduction in the capital gains tax (the tax on profits made in the stock market) would lead to a 10 to 20 percent increase in stock prices.

multiple choice 4

- a. Positive statement
- b. Normative statement
- c. Both a normative and a positive statement
- d. Neither a normative nor a positive statement

e. Congress should not reduce capital gains taxes without also providing tax breaks for lower-income people.

multiple choice 5

- a. Positive statement
- b. Both a normative and a positive statement
- c. Neither a normative nor a positive statement
- d. Normative statement

6.

Problem 03-05

Identify for each topic whether it would be studied by a macroeconomist or a microeconomist:

a. The worldwide operations of General Motors.

multiple choice 1

- a. A macroeconomist
- b. A microeconomist
- c. Both a microeconomist and macroeconomist
- d. Neither a microeconomist nor a macroeconomist

b. The effect of government subsidies on sugar prices.

multiple choice 2

- a. A macroeconomist
- b. A microeconomist
- c. Both a microeconomist and macroeconomist
- d. Neither a microeconomist nor a macroeconomist

c. Factors affecting average wages in the U.S. economy.

multiple choice 3

- a. A macroeconomist
- b. A microeconomist
- c. Both a microeconomist and macroeconomist
- d. Neither a microeconomist nor a macroeconomist

d. Inflation in developing countries.

multiple choice 4

- a. A macroeconomist
- b. A microeconomist
- c. Both a microeconomist and macroeconomist
- d. Neither a microeconomist nor a macroeconomist

e. The effects of tax cuts on consumer spending.

multiple choice 5

- a. A macroeconomist
- b. A microeconomist
- c. Both a microeconomist and macroeconomist
- d. Neither a microeconomist nor a macroeconomist

7.

Connect Problem 03-08

Each of the following statements may have appeared in popular media reports; indicate whether they are positive, normative, or both.

a. Personal income fell in November to a seasonally adjusted rate of \$1,879 trillion.

multiple choice 1

- a. Normative statement
- b. Both a normative and a positive statement
- c. Neither a normative nor a positive statement
- d. Positive statement

b. Deregulation of the airline industry has failed.

multiple choice 2

- a. Both a normative and a positive statement
- b. Normative statement
- c. Positive statement
- d. Neither a normative nor a positive statement

c. Limitations on the number of terms a President may serve are a good idea.

multiple choice 3

- a. Positive statement
- b. Normative statement
- c. Both a normative and a positive statement
- d. Neither a normative nor a positive statement

d. Government policies to control inflation has no place in a free market economy such as ours.

multiple choice 4

- a. Positive statement
- b. Normative statement
- c. Both a normative and a positive statement
- d. Neither a normative nor a positive statement

8.

Connect Problem 03-09

During periods in which average labor productivity is
(Click to select)

decreasing

increasing

, average living standards will be
(Click to select)

raised

lowered
, because productivity

multiple choice 3

- a. declines can result in a higher demand for available goods and services.
- b. growth leads to an increase in the supply of goods and services available.
- c. growth can lead to population growth and more jobs.
- d. declines can result in more jobs available.

Suppose there are two countries Alpha and Beta with the the following values:

	GDP	Population	Labor Force	Labor Force Productivity
Alpha	\$20,494 billion	327 million	159 million	
Beta	\$13,608 billion	1,393 million	756 million	

Calculate the labor force productivity for Alpha and Beta.

Instructions: Enter your answers as whole numbers.

What would have to be the GDP in Beta for this country to have the same labor productivity as Alpha?

\$ _____ billion

9.

Inflation and Cost of Living (Inflation) MC Qu. 1

Which of the following helps explain why official government inflation figures often overstate the true increase in the cost of living?

multiple choice

- a. Consumers often overestimate how much they paid for specific items.
- b. Government statisticians have difficulty taking adequate account of product quality improvements.
- c. Government statisticians aren't good at finding discount prices.
- d. Retirees pressure government to publish upward-biased cost-of-living indexes.

10.

Inflation and Cost of Living (Inflation) MC Qu. 2

If government inflation figures overstate the true increase in the cost of living, which of the following would NOT be true?

multiple choice

- a. Cost-of-living adjustments in labor contracts will be too large.
- b. People won't need to save as much for retirement.
- c. Goods produced this year will tend to be of lower quality than the corresponding models from last year.
- d. People's true standard of living will rise faster than their official real (= cost-of-living-adjusted) incomes.